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January 4, 2002

TRANSMITTED ELECTRONICALLY

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Re: Certain Steel – Comments on TPSC Evaluation of Options for Action
Under Section 203 With Respect to Steel Wire Rope

Dear Ms. Blue:

This submission is made on behalf of the Committee of Domestic Steel Wire Rope and Specialty Cable Manufacturers (Committee), which is composed of U.S. companies which account for virtually all domestic production of steel wire rope.

**A. The Domestic Steel Wire Rope Industry Is Suffering Serious Injury
As A Result of Increasing Imports**

The evidence of serious injury suffered by the domestic steel wire rope industry as a result of a surge in imports is manifest and compelling.

Between 1996 and 2000, imports of steel wire rope increased by 20 percent (from 78,000 net tons to 94,000 net tons, in the process recording an all-time high of 106,000 tons in 1998).

Over this same period, domestic shipments by U.S. steel wire rope producers declined by 11 percent (from 111,000 tons in 1996 to an all-time low of 98,000 tons in 2000).

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The share of the U.S. market captured by imports jumped from 40 percent to 50 percent between 1996 and 2000. *No industry which received an affirmative “injury” determination suffers from as high an import penetration rate as does the domestic steel wire rope industry.*

Two major, longstanding U.S. producers were compelled to close their doors and exit the industry during the period examined by the ITC: The Rochester Corporation in 1998, and Macwhyte Company in 1999. This resulted in the closing of two major plants. A third major, longstanding producer, Paulsen Wire Rope Corporation, announced in October 2000 that it too would close its doors for good in the near future. This would result in the closing of a third major plant. Wire Rope Corporation of America, Incorporated, the largest U.S. producer of steel wire rope, announced last month that it was closing one of its three wire rope production facilities, located in Kansas City, MO. This results in the closing of a fourth plant.

With the departure of the Paulsen Wire Rope Corporation, three of the six – *one half!* – general purpose steel wire rope manufacturers operating in the United States in 1997 are now or will soon be gone for good. This leaves three companies in an industry that once consisted of twenty.

The company and plant closures have resulted in a substantial loss of manufacturing jobs. The Rochester and Macwhyte closures resulted in the loss of nearly 200 jobs. The pending closure of Paulsen places another 50-100 jobs at risk, while the plant closure at WRCA will effect more than 100 jobs. In all, about one-fourth of the 1,6000 production workers employed by the domestic steel wire rope industry as recently as 1997 have been lost or jeopardized. These figures do not even include the reductions in shifts and hourly wages which surviving members of the industry have been forced to implement as a result of production cutbacks.

The net sales value of domestic steel wire rope plummeted approximately 15 percent between 1996 and 2000. The industry-wide operating margin was well below 4 percent during this period, with several manufacturers reporting operating *losses* in the past few years.

B. The ITC's Determination Regarding Steel Wire Rope Was Unfair and Unjust

The “product grouping” which included steel wire rope did not receive an affirmative “serious injury” or “threat of serious injury” finding from the U.S. International Trade Commission (ITC) during its “section 201” investigation. Therefore, the ITC did not issue a remedy recommendation regarding imports of steel wire rope and the domestic steel wire rope industry. However, the Committee strongly believes that the ITC’s determination was unjust and unfair, and we urge the Trade Policy Staff Committee (TPSC) to recommend, and the President to implement, a remedy for the domestic steel wire rope industry so as to allow this industry an opportunity to survive, and to adjust to import competition.

Failure to take action of this kind will lead to the downfall and demise of this vitally important U.S. industry.

Since early 2001, the Committee urged that steel wire rope be included in Ambassador Zoellick’s request for a “section 201” investigation, and was encouraged when the product was in fact covered by the official request presented to the ITC by the Ambassador and the Senate Finance Committee.

However, the ITC took the extraordinary step of including steel wire rope in a product grouping that also included unrelated products and industries, most notably, tire cord (Product Grouping 14, termed “strand, rope, cable and cordage”). Since the outset of the investigation, the Committee urged the ITC to examine the steel wire rope industry as a *discrete* industry, and not to include the product in a “product grouping” that included tire cord. Steel wire rope and tire cord are different products with vastly different end-uses, manufactured by completely different industries. Indeed, as the Committee and other parties stated at several stages in the proceeding, there is no steel wire rope producer in the United States that manufactures tire cord; conversely, there is no tire cord producer in the United States that manufactures steel wire rope. Unlike the domestic steel wire rope industry, U.S. producers of tire cord – including such foreign-owned companies as Michelin, Bekaert and Sumiden, that are highly dependent on imports - *never requested that they be included in the “section 201” investigation*. These producers wanted no part of the investigation, and argued strongly for an “exclusion” during the proceedings.

Within the arbitrary “product grouping” devised by the ITC, the data for the uninjured tire cord industry completely distorted and masked the data reflecting the serious injury suffered by the domestic steel wire rope industry. As a result, the arbitrary “product grouping” as a whole suffered the ITC’s negative injury determination.

This outcome was patently unjust and unfair to the domestic steel wire rope industry, and contrary to the very reason a comprehensive “section 201” investigation was requested and conducted in the first place.

C. The ITC’s Written Determination Contains Significant Factual Errors Regarding Steel Wire Rope and the Domestic Steel Wire Rope Industry

To compound the sense of injustice borne from this egregious outcome, the ITC’s written determination contains statements regarding steel wire rope and the U.S. steel wire rope industry that are factually incorrect, or which embody an unfairly skewed interpretation of facts presented. For example, in support of its conclusion that Product Grouping 14 should be viewed as a single domestic industry, the ITC states that “the {major} U.S. producer of steel wire rope ... produces both tire cord and other types of rope in the same facilities.”¹ This is simply wrong – in fact, the company named does not produce steel wire rope at all. This is an error of considerable consequence since all the relevant parties – specifically, the domestic steel wire rope industry, U.S. producers of steel wire strand and U.S. producers of tire cord – argued that tire cord should constitute a separate “like product,” or should be excluded from the investigation. (Indeed, unlike the U.S. steel wire rope industry, U.S. tire cord producers never asked to be a part of this investigation and opposed import relief for that product.)

In addition, as support for its conclusion that the domestic industry defined as “Product Grouping 14” is not threatened with serious injury, the ITC states that “there is no evidence that other nations maintain restraints on ... imports of such wire rope into third country markets, that could cause the wire rope to be diverted to the United States.”² Again, this is simply wrong – in fact, the Committee provided the Commission with copies of the affirmative antidumping determinations made by the European Commission within the past two years on steel wire rope imports from several major supplying countries such as China, India, Mexico, South Africa and Thailand. These findings were discussed in the Committee’s posthearing brief to the ITC under the heading: “The Antidumping Investigations of Steel Wire Rope Conducted By the European Commission Will Result In Increased Import Pressures On the U.S. market.” Copies of the EU determinations were provided at Exhibits 5A and 5B of the Committee’s posthearing brief.

Furthermore, as support for its conclusion that there is no significant idling of productive facilities, the ITC discounted the departure of two major U.S. steel wire rope manufacturers from the industry during the period of investigation, citing only respondents’ claim that the departures resulted in an increase in the production capacity for the U.S. manufacturer that acquired some of the production assets of the defunct

¹ *Steel*, Inv. No. TA-201-73, USITC Pub. 3479, Vol. I (December 2001) at 95.

² *Id.* at 151.

companies.³ This was a skewed and one-sided interpretation of the facts presented since it completely ignored the Committee's detailed review of the net aggregate loss suffered by the U.S. steel wire rope industry in production, capacity and employment as a result of the departure of these two manufacturers.

D. A Viable and Competitive Domestic Steel Wire Rope Industry Is Critical To Our Ability to Build This Nation and Maintain Its Defenses

Although many people do not know the product by name, steel wire rope can fairly be called "the machine that made America." It is integral to the construction and maintenance of this nation's infrastructure. It is central to the transport of this nation's commerce. It is a linchpin for the development of our energy needs. And it plays a fundamental role in our national defense.

All types of construction cranes - whether tower, truck, crawler or telescopic mobile cranes - require steel wire rope for all of the hoists and slings necessary for their application. The same is true with regard to other types of earth-moving and materials-handling equipment such as clamshells, bulldozers and draglines. Without this equipment, this country could not build skyscrapers or large office or residential buildings. We could not build roads or bridges or tunnels. (Indeed, there would be no such thing as a suspension bridge without steel wire rope, which constitute the very suspenders central to that bridge type!) We couldn't even clear a construction site or excavate a site for the construction of a building's foundation were it not for steel wire rope. The immense rescue and clean-up operations at the World Trade Center site and the Pentagon are contingent on steel wire rope. Thousands of lives were saved at the World Trade Center because of the complex's system of elevators, operated by domestically-manufactured steel wire rope.

Our national commerce, too, is dependent on steel wire rope. As we note above, steel wire rope is necessary for the construction, and repair, of roads, bridges and tunnels. In addition, the product is central to the operation of dockside and overhead gantry cranes. In other words, without steel wire rope, we could not remove cargo from ships, place the cargo on trucks and trains, and transport the goods to their destination in the United States. Likewise, without steel wire rope we could not transport goods from around the nation to the ports, and onto cargo ships for export to destinations around the world.

Steel wire rope is fundamental to the development of this nation's energy resources. Steel wire ropes are the rotary drill lines required on onshore and offshore rigs for the development of oil and gas. Steel wire ropes constitute the sand and tubing lines for the well servicing rigs necessary to keep oil and gas rigs in operation. Steel wire ropes are the anchor lines for offshore rigs. They are the boom support pendants, hoist

³ *Id.* at 147-48, n.835.

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ropes and drag ropes required for mining machinery such as shovels and clamshells. In fact, without steel wire rope, steel mill ladle and overhead gantry cranes would be rendered inoperable. In other words without steel wire rope, this country could not drill for oil and gas, mine coal or even make steel.

Steel wire rope also plays an extremely important role in our national defense. For example, steel wire ropes are the control cables on almost all aircraft, including fighter jets and military transport planes. These highly sophisticated machines simply could not remain in controlled flight without steel wire rope. Steel wire rope also plays at least two critical roles on our most visible symbol of military strength, the aircraft carrier. First, steel wire ropes constitute the hoist cables for deck-edge elevators, which are required to move carrier fighter jets from their below-deck housing to the flight deck itself. Second, steel wire ropes are the arresting cables on aircraft carriers, without which a fighter jet could not even land onboard the ship. Steel wire ropes are also used as “tank-yanks,” which retrieve tanks rendered out of commission on the battlefield from harms-way.

This multitude of critically important applications highlight a point of fundamental importance: without a viable and competitive steel wire rope industry in this country, our capacity to build this nation and maintain its defenses is sorely compromised.

E. The President Must Take Action To Allow the Domestic Steel Wire Rope Industry An Opportunity To Survive

As a matter of national policy, the United States should not allow the demise of the domestic steel wire rope industry. This is surely not a product for which this nation should remain evermore reliant on foreign sources. Yet, without action now to allow the domestic steel wire rope industry an opportunity to survive, this scenario will become reality.

The President has the authority to take a range of actions *independent of the ITC determination* to help this vitally important industry. We urge the President to act.

Specifically:

- * The President should include steel wire rope in any agreements negotiated by the United States regarding import relief (including the institution of effective tariffs and/or quotas on wire rope imports), reductions in excess global steel capacity and the establishment of additional disciplines on subsidies and other market-distorting practices.

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- * The President should include steel wire rope in any legislative proposals submitted to Congress to facilitate the efforts of the domestic industry to make a positive adjustment to import competition.
- * The President should include steel wire rope in any steel import licensing mechanism or monitoring system established for the steel industry as a whole.
- * The President should direct intensive enforcement of this nation's Customs laws, as they apply to steel wire rope imports. Specifically, the U.S. Customs Service should be directed to ensure that country-of-origin marking laws are strictly enforced, and take vigorous actions to redress and deter violations.
- * The President should direct intensive enforcement of false product claims perpetuated by importers of steel wire rope and marketers of imported steel wire rope, especially as such claims apply to false or fraudulent product specifications (and specifically, false or fraudulent designations of imported product meeting Military Specification).
- * The President should direct the Secretary of Commerce and ITC to institute measures for initiation of downstream product monitoring (especially in light of the antidumping orders on imports of steel wire rod, the raw material for steel wire rope), and to self-initiate antidumping and/or countervailing duty actions if appropriate.
- * The President should direct the U.S. Trade Representative to collect the necessary evidence to support a potential request for a "section 201" investigation of steel wire rope imports.
- * The President should direct provision of trade adjustment assistance to workers in the domestic steel wire rope industry which have been displaced as a result of increasing imports of the article.

On behalf of the Committee, we urge the President to take action to allow the domestic steel wire rope industry an opportunity to survive, and we express our strong desire to work with appropriate officials on this critical matter.

Sincerely,

/s/ Herbert E. Harris II

Herbert E. Harris II
Jeffrey S. Levin